

August 10, 2011

Natalie Andrews
Massachusetts Department of Energy Resources
100 Cambridge Street
Suite 1020
Boston, MA 02114

Dear Natalie and the DOER Team,

I am responding to the email sent on Tuesday, August 2nd, asking for comment on the proposed reduction in ACP rate over the following decade. From our experience as a solar developer in multiple states, I would kindly ask that you reconsider this action. I believe that your proposal will delay and reduce the amount of solar installations necessary for the state to reach its goals of 400 MW of solar power.

In your letter, it is mentioned that developers and financial partners were upset due to uncertainty. The action of reducing the ACP from \$600 to \$550 did that. But uncertainty was not the only cause for concern. It seems that the reduction was unnecessary so early on in the process and during the fragile formation of a market. I am sure you are aware of the difficulty in obtaining long term SREC contracts from generators/distributors. Lowering the rate only reduced their appetite to explore long term contracts. I have been told that some SREC contracts had already been signed at price points above \$550. This gives the generators/distributors ZERO incentives to make such deals fearing another reduction in price and making them look foolish to management. Your idea is trying to solve that problem but I believe you may be creating more problems in the long run.

New Jersey has been successful because the ACP is high. This has properly incentivized the utilities to create special lending programs and long term contracts in order to spur development. This has caused such a tidal wave of projects that the SREC price has collapsed saving rate payers money. They are reaching their goals and are now at trading prices much lower than imagined.

I am also wary of DOER locking into this formula due to price reductions in solar panels. It is true that the current trend finds that prices keep going down, as the housing market thought only to go up. But that does not make it a long term reality. Commodity prices can change direction causing not only solar panel prices to flat line but even increase in price. No one has a crystal ball but nor should you need one. Again, keeping the ACP high, the market will bear out the best price for the SRECs. If panel prices continue to fall, more solar will be built causing a reduction in SREC prices. If panel prices flat line or rise, it too will be reflected in the SREC price without this forced mechanism potentially shutting down development.

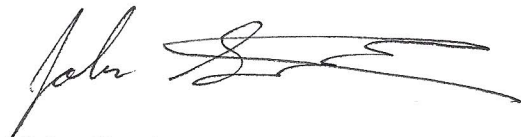
Another worry is the fate of Federal Incentives. I am pessimistic that Congress will continue with the 1603 Grant in Lieu of Tax Credits. This program has allowed many projects to move forward that would otherwise have stalled. Finding tax equity partners can be hard and costly. The grant made that subsidy more potent. Without it, projects cost more to develop. Depreciation is another Federal subsidy that is constantly tinkered with. If these incentives are reduced or canceled, the SREC value becomes even more important to projects being built.

An additional concern is that most of the commercial solar installed in the past year have been built by the utilities themselves. This skews the program into thinking that things are going smoothly until the utilities build up to their cap. When that cap is hit and the utilities are no longer allowed to build, without incentives in place for long term contracts, few solar projects will be built the following year. The goal is for developers to do the heavy lifting and at this point in time, that is not happening.

I understand that New Jersey reduces the ACP over time. However, their price point is much higher than Massachusetts. Clearly, the NJ model is working very efficiently to the point where the current SREC market is trading at \$175 (Flett Exchange 8/7) while the ACP is \$658. This is the goal of the program. Eventually, the price will rebound as the new demand for SRECs will soak up the excess capacity. But eventually, the price will stabilize and respond to other market forces such as equipment prices and Federal incentives.

The SREC market in Massachusetts can do this but only if the ACP remains high. It takes time for markets to form and they will once the generators/distributors feel the pain. The higher the pain, the quicker they will innovate and provide programs, as the NJ utilities have, and developers can finance their projects and reach the goals set by the State.

Thank you for your consideration.

A handwritten signature in black ink, appearing to read 'John Guerin', with a stylized flourish extending to the right.

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